

[COVER MEMO]

M E M O R A N D U M

TO: DISTRIBUTION

FROM:

DATE: FEBRUARY 3, 1989

RE: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES REPORT TO CONGRESS REGARDING CIGARETTE INGREDIENTS

In April of 1986, the six major manufacturers of cigarettes in the United States tobacco industry were required by law to submit to the United States government a list of all ingredients added to tobacco in the manufacture of cigarettes. The list was submitted to the Department of Health and Human Services (DHHS) on behalf of the six major U.S. companies through a Washington law firm. Each ingredient in actual use on March 31, 1986 was listed. Subsequent lists were submitted to the Department of Health and Human Services on December 31, 1986 and annually thereafter.

No item was excluded on the basis of a trade secret or proprietary information claim. The lists submitted do not designate which companies are using any individual ingredient, nor do they list specific amounts used in any particular cigarette. Annual

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industry usage (in pounds) is provided only for a limited number (20) of "major use" ingredients.

Ingredients were designated by their correct chemical names and Chemical Abstract Service registry numbers. Processing agents were identified as such. For your information, packaging materials, cigarette paper and filter materials were not included as the law required submission only of ingredients "added to tobacco."

Concerns about "leaks" of the list have not been realized. We know, however, that the Department of Health and Human Services is preparing a report to the United States Congress on cigarette ingredients based on their analysis of these lists. It is expected to be completed within the next four to eight weeks.

Scientists from various government agencies are reviewing the list. Given the confidentiality requirements, only government employees have access to the ingredient information. Non-government scientists under contract to the DHHS, however, are assisting in the Department's review.

According to the Director of the Department's Office on Smoking and Health, Dr. Ron Davis, the Department's review of the ingredients list will be based on available literature, primarily

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toxicological data. The Department apparently has not conducted any independent testing on ingredients, nor do they contemplate doing so.

Davis has recently indicated that his office has been involved in preparation of the 1989 United States Surgeon General's Report. Davis has suggested that the report on ingredients may not be completed until late February or early March. It is unlikely that the industry will have an opportunity to preview the report prior to its submission to Congress. Furthermore, it is almost impossible to predict what use Congress will make of the report. We expect the report to generate a considerable amount of adverse publicity in the United States regardless of the form in which the contents of the ingredients lists are disseminated.

Publicity surrounding the report or its release is also likely to generate a considerable amount of interest and publicity throughout the world. The United States Surgeon General has recently expressed his "growing concern about the spread of smoking internationally, particularly in the world's poorest countries." You should expect inquiries regarding non-tobacco ingredients in our products from the press and perhaps from your competitors who may try to distinguish their product from United States brands.

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The enclosed information is designed to assure that a consistent response to any publicity or inquiry generated as a result of the release or publication of the DHHS Report on cigarette ingredients is made company-wide. A coordinated, industry-wide response to any controversy along the lines of that planned in the United States is probably impossible to accomplish in your region. Any response you make to inquiries or publicity, however, should be consistent with the substance and approach taken by Philip Morris worldwide. Your response to such an inquiry should be consistent with company-wide goals of protecting Philip Morris' proprietary information, minimizing any potential problems that can be created by the response, and, of course, protecting your competitive interests.

The enclosed information is for your consideration and review. Our overall objective is to minimize the publicity and controversy surrounding any publication of the list. To that end, you should (1) avoid stimulating media interest that would not otherwise exist, (2) emphasize that evaluation of cigarette ingredients is a scientific process that should go forward without disruptive publicity, (3) decline to discuss individual ingredients based on trade secret considerations, (4) note our willingness to participate with governmental agencies in addressing specific scientific issues, and finally (5) emphasize important general points about the use of non-tobacco ingredients. Specific tactics

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to achieve these objectives are obviously a function of the scope and intensity of interest in the ingredients issue in your region. If there is a limited amount of media interest generated by the report and attendant publicity, a brief statement or comment may be all that is required to convey your position. Drafts of such statements are attached.

If, as we expect, there is sustained and intense interest generated as a result of a release of the report to the American Congress or an actual disclosure of the ingredients list, you should be prepared for inquiry from government, the various media, and even from your competitors. In such a situation, reliance on a general statement is unlikely to adequately address such concerns; a more detailed response might be necessary. You should be prepared to address a wide range of questions and to rebut several anticipated allegations. If such a response becomes necessary, the attached set of questions and answers should be consulted. Similar questions and answers were prepared for use by the U.S. industry in response to any such requests. They have been adapted and expanded for your use and, to the best of our knowledge, are accurate as applied to your region.

Questions and answers on individual ingredients have not been included. For a variety of reasons, not the least of which is the proprietary nature of such information, it is inadvisable

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to comment on the data related to specific substances. It is important that the Company's response to similar inquiries be consistent. Note, however, that the six major U.S. companies (as an industry) are prepared to deny the use of coumarin, cloves, eugenol or other substances that may appear on the DHHS composite list but reflect the submissions to the Department of importers and other manufacturers.

As previously stated, the report date is indefinite at this time. When we receive more definite notice of the date the DHHS Report is expected to be released, and/or its contents, you will be advised accordingly. Although the date of the report is uncertain, the existence and ultimate release of the report is an almost certainty. This material is provided to you for your review and comment. Any questions, suggestions or other comments should be passed on as soon as possible. We will try to accommodate any requests for more information or in-depth briefing as quickly as possible.

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